

# FHWA'S Public–Private Partnership (P3) Toolkit



## P3 TOOLKIT

### Quick Facts

- The P3 Toolkit comprises tools and guidance documents to assist in educating public sector policymakers, legislative and executive staff, and transportation professionals.
- P3 Evaluation Tools serve as a reference for decisionmakers and practitioners seeking to understand P3s as a financing alternative for major capital projects.
- Practitioners can use *P3-VALUE* to better understand the concepts, inputs, key assumptions, and outputs from evaluations of risk, financial feasibility, and “value for money” analyses.

### For Further Information

Learn more about FHWA's *P3 Toolkit*, available at

<http://www.fhwa.dot.gov/ipd/p3/index.htm>.

The use of public–private partnerships (P3s) marks a shift away from traditional ways of procuring and financing highway projects. Under the P3 model, a private partner may participate in some combination of design, construction, financing, operations, and maintenance, including the collection of toll revenues.

The Federal Highway Administration's (FHWA's) Office of Innovative Program Delivery (IPD) is producing a P3 Toolkit comprising tools and guidance documents to assist in educating public sector policymakers, legislative and executive staff, and transportation professionals. The P3 Toolkit forms the base of a broader P3 capacity-building program, which includes a curriculum of P3 courses and Webinars. The P3 Toolkit will address Federal requirements related to P3s and four key phases in P3 implementation:

1. Legislation and Policy.
2. Planning and Evaluation.
3. Procurement.
4. Monitoring and Oversight.

## FHWA's P3 Evaluation Tools

The P3 Evaluation Tools are a key component of the P3 Toolkit. They serve as a reference for decisionmakers and practitioners seeking to understand P3s as a financing alternative for major capital projects. The P3 Evaluation Tools include:

- An *Orientation Guide* to serve as a higher level summary of the issues and factors that are evaluated when considering a P3 as a financing and procurement mechanism.
- Three primers, one each on *Risk Assessment*, *Value for Money Analysis*, and *Financial Structuring and Assessment*.
- An analytical tool called *P3-VALUE*, along with *User Guides* and *Frequently Asked Questions*, to



help practitioners understand the process for evaluation of P3 approaches and to educate the user on methods used to assess the viability of a P3 approach to infrastructure delivery.

- An *Evaluation Guidebook* (under development) for practitioners seeking a deeper understanding of the concepts, assumptions, inputs, and outputs involved in the above analyses.
- A *P3 Screening Tool* (under development) along with a supporting guide to assist practitioners seeking to perform a preliminary screening evaluation of the suitability of a major highway project (i.e., costing \$100 million or more).

## The P3-VALUE Analytical Tool

Practitioners can use *P3-VALUE* to better understand the concepts, inputs, key assumptions, and outputs from evaluations of risk, financial feasibility, and Value for Money analyses used to compare the aggregate financial benefits and costs of a P3 alternative with traditional procurement. *P3-VALUE* is comprised of four Microsoft® Excel-based spreadsheet tools designed to educate the user—these spreadsheets are not finished tools for use in detailed evaluation



of actual projects. The complexity of the analyses for specific projects requires that they be conducted by experts using more detailed modeling. The four tools are outlined as follows, and their interrelationship is presented graphically in Figure 1.

- 1. Risk Assessment Tool:** This tool assists the user in understanding the process used in identifying, defining, valuing, allocating, and mitigating risks. Aggregate risk values that output from this tool are used as inputs into the Public Sector Comparator tool and the Shadow Bid tool described in this list.
- 2. Public Sector Comparator Tool:** This tool assists the user in understanding the process used in developing the hypothetical risk-adjusted cost

if a project were to be financed, constructed, maintained, and operated following the traditional public sector delivery model.

- 3. Shadow Bid Tool:** This tool assists the user in understanding the process used in estimating the cost to deliver a project as a P3. It calculates the current value of future payments to be made by the government entity to the private contractor.
- 4. Financial Assessment Tool:** This tool assists the user in understanding the process used to calculate value for money under a P3 and to evaluate financial viability, including identification of required financial subsidies, cash flow deficiencies, and payment amounts.

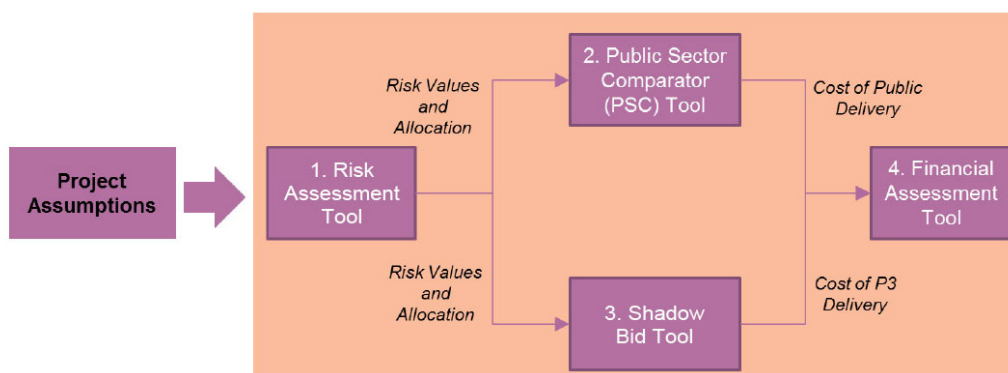


Figure 1. Relationship of Individual Tools Within P3-VALUE.



## PROGRAM AREAS OF THE OFFICE OF INNOVATIVE PROGRAM DELIVERY

IPD provides a one-stop source for expertise, guidance, research, decision tools, and publications on program delivery innovations. Our Web page, workshops, and other resources help build the capacity of transportation professionals to deliver innovation.

### PROJECT DELIVERY

IPD's project delivery team covers cost estimate reviews, financial planning, and project management and assists FHWA Divisions with statutory requirements for major projects (e.g., cost estimate reviews, financial plans, and project management plans).

### PROJECT FINANCE

IPD's project finance program focuses on alternative financing, including State Infrastructure Banks (SIBs), Grant Anticipation Revenue Vehicles (GARVEEs), and Build America Bonds (BABs).

### PUBLIC-PRIVATE PARTNERSHIPS

IPD's P3 program covers alternative procurement and payment models (e.g., toll and availability payments), which can reduce cost, improve project quality, and provide additional financing options.

### REVENUE

IPD's revenue program focuses on how governments can use innovation to generate revenue from transportation projects (e.g., value capture, developer mitigation fees, air rights, and road pricing).

### TIFIA

The Transportation Infrastructure Finance and Innovation Act (TIFIA) program provides credit assistance for significant projects. Many surface transportation projects—highway, transit, railroad, intermodal freight, and port access—are eligible to apply for assistance.



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Federal Highway Administration